

APPENDIX

EXHIBIT “A”

**HECHT DEPOSITION
PAGES 7 - 8, 48 - 50**

APRIL 17, 2007

Dennis Hecht-1

April 17, 2007

IHS v. Ace

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF DELAWARE

INTEGRATED HEALTH SERVICES, INC.,: Chapter 11
et al : NO. 00-389 (MFW)
(JOINTLY ADMINISTERED)

IHS LIQUIDATION, LLC, : CIVIL ACTION
Plaintiff :
vs. :
ACE INDEMNITY INSURANCE COMPANY :
f/k/a INDEMNITY INSURANCE COMPANY :
OF NORTH AMERICA, :
Defendant : NO. 05-376 (GMS)

IHS LIQUIDATING, LLC, :
Third-Party Plaintiff :
vs. :
NATIONAL UNION FIRE INSURANCE :
COMPANY OF PITTSBURGH, PA; GENERAL:
STAR INDEMNITY COMPANY; and ACE :
INDEMNITY INSURANCE COMPANY f/k/a :
INDEMNITY INSURANCE COMPANY OF :
NORTH AMERICA, :
Third-Party Defendants :

ACE INDEMNITY INSURANCE COMPANY :
f/k/a INDEMNITY INSURANCE COMPANY :
OF NORTH AMERICA, :
Third-Party and Fourth-Party :
Plaintiff :
vs. :
NATIONAL UNION FIRE INSURANCE :
COMPANY OF PITTSBURGH, PA and :
GENERAL STAR INDEMNITY COMPANY, :
Fourth-Party Defendants :

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			Page 6	Page 8
NO.	DESCRIPTION	PAGE		
Hecht-22	Email chain starting 4/22/03 3:53 p.m., ending 4/25/03 11:47 a.m.	215	1 hiatus anyway where Mr. Valentino 2 [sic] met with his client, he came in 3 and advised us that they, ACE, will 4 be withdrawing certain claims in this 5 litigation. In particular -- and 6 Mr. Valentino [sic] can correct me if 7 I get this wrong -- they will 8 withdraw as to both General Star and 9 AIG, the Chapter 400 fees claimed and 10 all claims relating to Hamlin & 11 Burton fees. 12 Is that correct?	
Hecht-23	Email chain starting 2/26/03 10:23 a.m., ending 4/25/03 12:13 p.m.	218	13 MR. VALENTINI: That is correct. 14 It's Valentini. 15 MR. FITZMAURICE: Valentini. I 16 apologize. 17 MR. VALENTINI: No problem. 18 MR. FITZMAURICE: And, in	
Hecht-24	Fax cover sheet dated 3/16/04 to Paul Hamlin from Ken Llano with attachment	223	19 addition, Mr. Valentini asserted that 20 he is producing Mr. Hecht as a 21 30(b)(6) designee. We have noticed 22 that deposition for tomorrow as has 23 AIG. 24 Mr. Valentini, if I get his	
- - -				
1	- - -			Page 7
2	PROCEEDINGS		1 comments correct, has indicated that	Page 9
3	- - -		2 he will produce Mr. Hecht only once	
4	(It is hereby stipulated and		3 for both notices, both the -- I	
5	agreed by and among counsel for the		4 should be clear on that. There are	
6	respective parties that the filing,		5 three notices: First, his personal	
7	sealing and certification of the		6 notice, which was noticed for today;	
8	deposition are waived; and it is		7 and then, secondly, two notices, our	
9	agreed that all objections, except as		8 30(b)(6) notice and the AIG 30(b)(6)	
10	to form, are reserved until the time		9 notice.	
11	of trial.)		10 Is that correct, Mr. Valentini?	
12	- - -		11 MR. VALENTINI: It is correct	
13	DENNIS HECHT, after having been		12 with one caveat that I will place on	
14	first duly sworn, was examined and		13 the record.	
15	testified as follows:		14 And, Gwynne, you may very well	
16	- - -		15 have done this, that is, serve a	
17	MR. FITZMAURICE: For the record,		16 notice of that of AIG. I have not	
18	my name is Daniel FitzMaurice. I		17 seen it. Until you said it, I was	
19	represent General Star, which is a		18 unaware that a Notice of Deposition	
20	third-party defendant in the IHS		19 was served by your office. I will	
21	Liquidating ancillary matter in the		20 take your word. I just haven't seen	
22	Delaware District Court.		21 it.	
23	Before we began today's		22 MS. YOUNG: We will get you a	
24	deposition after a long hiatus or a		23 copy of it. But it was served, and I	
			24 think Ward was aware of it.	

3 (Pages 6 to 9)

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<p>1 system?</p> <p>2 A. Yes.</p> <p>3 Q. Is there someone at ACE who is</p> <p>4 responsible for monitoring the litigation that is</p> <p>5 pending in the District Court in Delaware?</p> <p>6 A. I am.</p> <p>7 Q. And have you had that responsibility</p> <p>8 from the outset of that litigation?</p> <p>9 A. Yes.</p> <p>10 Q. And were you also responsible for the</p> <p>11 litigation that was brought in Florida, relating to</p> <p>12 IHS and involving AIG and General Star?</p> <p>13 A. Not solely, no.</p> <p>14 Q. Who else was responsible for that?</p> <p>15 A. Dennis Madea was aware of that,</p> <p>16 certainly. I believe our corporate counsel was as</p> <p>17 well.</p> <p>18 Q. Who is your corporate counsel?</p> <p>19 A. Kathleen Morrison, two Rs.</p> <p>20 Q. And does Kathleen Morrison have any</p> <p>21 responsibility for the litigation in Delaware?</p> <p>22 A. She is aware of it.</p> <p>23 Q. At the outset of this deposition,</p> <p>24 your counsel advised us that, among other things,</p>	<p>Page 46</p> <p>1 did you understand Chapter 400 to refer to?</p> <p>2 A. The Chapter 400, my understanding of</p> <p>3 it at any rate, is a statute in Florida that deals</p> <p>4 with nursing homes in general, regulates or</p> <p>5 purports to regulate their responsibilities with</p> <p>6 respect to residents in nursing homes and</p> <p>7 establishes levels of, I guess, behavior and</p> <p>8 penalties for violating those statutory</p> <p>9 requirements.</p> <p>10 Q. Are you aware of any claim in which</p> <p>11 General Star paid indemnity on behalf of IHS for a</p> <p>12 Chapter 400 fee penalty?</p> <p>13 MR. VALENTINI: I am going to</p> <p>14 object, Dan. I am not sure I</p> <p>15 understand the relevance of the</p> <p>16 question given that we are dropping</p> <p>17 the claim.</p> <p>18 BY MR. FITZMAURICE:</p> <p>19 Q. You can answer.</p> <p>20 MR. VALENTINI: Go ahead. You</p> <p>21 can answer.</p> <p>22 THE WITNESS: Okay. At this</p> <p>23 point, I can't identify a specific</p> <p>24 claim, and we haven't completed our</p>
<p>1 IICNA was dropping claims relating to the Chapter</p> <p>2 400 fees.</p> <p>3 Q. Are you familiar with that?</p> <p>4 A. Am I familiar with --</p> <p>5 Q. The fact that IICNA is dropping those</p> <p>6 claims.</p> <p>7 A. I am.</p> <p>8 Q. Are you the person who made that</p> <p>9 decision to drop those claims?</p> <p>10 A. I am.</p> <p>11 Q. Why did you decide to drop those</p> <p>12 claims?</p> <p>13 MR. VALENTINI: Well, let me</p> <p>14 just object here. I am going to</p> <p>15 object and instruct the witness not</p> <p>16 to answer particularly to extent that</p> <p>17 it calls for him to reveal</p> <p>18 attorney-client communications.</p> <p>19 BY MR. FITZMAURICE:</p> <p>20 Q. Aside from anything that your</p> <p>21 attorneys advised you with respect to the Chapter</p> <p>22 400 fees, why did you drop that claim?</p> <p>23 A. I am not sure I can answer that.</p> <p>24 Q. So we are clear on the record, what</p>	<p>Page 47</p> <p>1 review of all of the files, either,</p> <p>2 so...</p> <p>3 MR. FITZMAURICE: I should have</p> <p>4 asked this before, Jerry. When you</p> <p>5 say you are dropping those claims,</p> <p>6 are you dismissing them with</p> <p>7 prejudice?</p> <p>8 MR. VALENTINI: Yes. As I</p> <p>9 just -- for the record, since I think</p> <p>10 we had this discussion before we went</p> <p>11 on the record, I will state it for</p> <p>12 the record that we will be</p> <p>13 withdrawing our claims with prejudice</p> <p>14 with respect to the allegedly</p> <p>15 improper erosion based on the payment</p> <p>16 of Chapter 400 fees and all claims</p> <p>17 with respect to the payment of Hamlin</p> <p>18 Burton, the administrative fees.</p> <p>19 MR. FITZMAURICE: Good.</p> <p>20 MR. VALENTINI: And I will state</p> <p>21 further that what I said earlier off</p> <p>22 the record, I will now state on the</p> <p>23 record, that we are in the process of</p> <p>24 formulating a stipulation to that</p>

13 (Pages 46 to 49)

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<p>1 effect which we will certainly 2 circulate to you. If I can get it 3 done today -- my associate is in the 4 process of drafting that, as we 5 speak, and finalizing it. And if we 6 can get it here today, I will do 7 that, and we will file the record 8 with the court.</p> <p>9 MS. YOUNG: Just for the record, 10 that is dismissing these claims as to 11 both General Star and National Union?</p> <p>12 MR. VALENTINI: That is correct.</p> <p>13 MR. FITZMAURICE: Why don't we 14 take a short break. 15 (There was a break at this time.)</p> <p>16 MR. FITZMAURICE: Back on the 17 record.</p> <p>18 BY MR. FITZMAURICE:</p> <p>19 Q. We were talking about the world of 20 files and records a minute ago. You have talked 21 about the underwriting files and the claim files. 22 Do you know if IICNA maintains any 23 other types of files in relationship to the IHS 24 policies it underwrote?</p>	<p>Page 50</p> <p>1 contains. Who else might have a file 2 on the claims or underwriting, I 3 don't know.</p> <p>4 BY MR. FITZMAURICE:</p> <p>5 Q. Okay. Have you ever communicated 6 personally with any of IICNA's reinsurers with 7 respect to IHS?</p> <p>8 A. I have.</p> <p>9 Q. Okay. And have you communicated in 10 writing or email, some form other than verbally?</p> <p>11 A. I have.</p> <p>12 Q. Do you keep records of those 13 communications?</p> <p>14 A. If there is a transfer of specific 15 information, generally I do. If it's just, you 16 know, I am going to be in the office to look at the 17 file, no, I don't.</p> <p>18 Q. Okay. Where would you keep any 19 correspondence or emails you might have had with 20 reinsurers about IHS?</p> <p>21 A. To the extent there are any, they 22 would be in the master file.</p> <p>23 Q. Okay. And what else is in the master 24 file?</p>
<p>1 A. I am not sure I understand the 2 question.</p> <p>3 Q. Okay.</p> <p>4 A. With respect to the policies or the 5 claims or --</p> <p>6 Q. Sure. Let me broaden that and just 7 say with respect to IHS.</p> <p>8 MR. VALENTINI: So the question 9 is what's the universe of files that 10 IICNA maintains?</p> <p>11 MR. FITZMAURICE: Yes.</p> <p>12 BY MR. FITZMAURICE:</p> <p>13 Q. You have described underwriting 14 files; you have described claim files. Are there 15 any other records that you are aware of that IICNA 16 has with respect to IHS?</p> <p>17 A. I believe --</p> <p>18 MR. VALENTINI: Just note my 19 objection to the form. I am really 20 not sure whatever records there are.</p> <p>21 But go ahead.</p> <p>22 THE WITNESS: I am sure my boss 23 has his own file. I don't know how 24 extensive that is or what it</p>	<p>Page 51</p> <p>1 MR. VALENTINI: Well, I think 2 he's already testified.</p> <p>3 THE WITNESS: I thought I already 4 answered that.</p> <p>5 MR. VALENTINI: About --</p> <p>6 MR. FITZMAURICE: I may have 7 misunderstood.</p> <p>8 BY MR. FITZMAURICE:</p> <p>9 Q. Is the master file also what you 10 referred to as the aggregate?</p> <p>11 A. I am sorry. Yes. That's my error. 12 I use them interchangeably. Let's just stick with 13 aggregate file. And the reinsurer communications 14 would be in the aggregate file.</p> <p>15 Q. And without telling me any of the 16 content, where would be located your communications 17 with your counsel about IHS?</p> <p>18 A. They could be or certainly would be 19 in the aggregate file. There may be some 20 communications -- in fact, there are some 21 communications in specific resident files.</p> <p>22 Q. Let me be specific. I am referring 23 in particular to the monitoring counsel. Where do 24 you keep those communications?</p>

14 (Pages 50 to 53)

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**HECHT DEPOSITION
PAGES 34 - 36**

JUNE 5, 2007

Deposition of Dennis Hecht

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UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE
CASE NO.: 00-389 (MFW)

In re:
Integrated Health Services, Inc., et al.
Debtors.

IHS LIQUIDATING LLC,
Plaintiff,

v.
ACE INDEMNITY INSURANCE COMPANY
f/k/a INDEMNITY INSURANCE COMPANY
OF NORTH AMERICA,
Defendant.

HIS LIQUIDATING LLC,
Third-Party Plaintiff

v.
NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, PA, GENERAL STAR INDEMNITY
COMPANY and ACE INDEMNITY INSURANCE
COMPANY f/k/a INDEMNITY INSURANCE
COMPANY OF NORTH AMERICA
Third-Party Defendants.

ACE INDEMNITY INSURANCE COMPANY
f/k/a INDEMNITY INSURANCE COMPANY OF
NORTH AMERICA,

Third-Party Defendant and

Fourth-Party Plaintiff,

v.

NATIONAL UNION FIRE INSURANCE COMPANY

OF PITTSBURGH, PA, and GENERAL STAR

INDEMNITY COMPANY,

Fourth-Party Defendants

ORIGINAL 

 ORIGINAL

DEPOSITION OF DENNIS HECHT

Deposition of Dennis Hecht

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DEPOSITION OF DENNIS HECHT

The deposition of DENNIS HECHT, taken on behalf of Third-Party Defendant/Fourth-Party Defendant, National Union Fire Insurance Co. of Pittsburgh, PA (National Union), at 500 colonial Center Parkway, Suite 200, Roswell, Georgia 30076, commencing at 10:22 a.m. and ending at 11:31 a.m., on Tuesday, June 5, 2007, before Tina Henry, CCR, and Notary Public in and for the State of Georgia at Large, Georgia CCR No. B-2385.

Reported by:

Tina Henry, CCR
State of Georgia
Esquire Deposition Services
Atlanta Office Job #424213
Phone - 800.787.5302
404.872.7890

Deposition of Dennis Hecht

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1 A. I'm sorry, I don't recall the

2 Q. If there was a amendatory endorsement, you
3 know, as indicated by Lockton and in Lockton's files
4 which has been produced to you by both Lockton and AIG
5 which shows that the Lester exclusion was deleted from
6 the broad named insured, on what basis does your
7 company continue to take the position that IHS of
8 Lester claims were not properly payable from the 2000
9 AIG main policy?

10 A. I believe it came to our attention at some

11 --

12 MR. DEASEY: Before you answer, you mean as
13 we sit here today?

14 MS. YOUNG: As we sit here today, you know,
15 knowing that there had been issued an amendatory
16 endorsement in 2002 that deleted the Lester
17 exclusion on what does he base his position that
18 claims for IHS of Lester are not payable under
19 the main policy?

20 MR. DEASEY: I can let him answer, but as
21 counsel for IICNA, that claim is no longer a
22 valid claim. Every claim has been withdrawn
23 except the claim with respect to the non
24 pyramiding of limits. Is that what you're
25 getting at?

Deposition of Dennis Hecht

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1 MS. YOUNG: Yeah, that's what I'm getting
2 at. Because I had not been advised that you had
3 withdrawn that claim.

4 MR. DEASEY: Yeah. I sent you an e-mail.
5 At your request I sent you an e-mail that the
6 only issue left is the IHS of Lester non
7 pyramiding of limits endorsement for 2000. But,
8 anyway, I mean, having said that, you can answer.

9 BY MS. YOUNG: (Resuming)

10 Q. So this is -- Just, you know, on the record,
11 if I'm understanding what your counsel has stated on
12 the record, your position today is you now acknowledge
13 that IHS of Lester claims were properly payable under
14 the IHS main policy for the year 2000?

15 A. With respect -- well, with the exception
16 that IHS of Lester has separate coverage and has its
17 own policy separate and apart from the -- from the IHS
18 policies. I mean, that's still an issue, whether or
19 not -- as I understand it, whether or not the claims
20 should be payable from that policy or from the --
21 directly from the main column of policies for IHS.

22 Q. Okay.

23 MR. DEASEY: Let's go off the record for a
24 second.

25 (Whereupon, an off-the-record discussion

Deposition of Dennis Hecht

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1 took place outside the presence of the deponent,
2 and a brief break was taken.)

3 BY MS. YOUNG: (Resuming)

4 Q. We may have just short-circuited the balance
5 of this deposition. But as I understand it, just so
6 we can confirm it for the record, you, Mr. Hecht, and
7 your counsel have advised me that at this point ACE
8 will acknowledge that IHS of Lester claims can be paid
9 under the IHS 2000 main policy. And I'm going to ask
10 you a follow-up question, so just answer that one, if
11 you would.

12 A. That's -- That's certainly a possibility,
13 yes.

14 Q. Okay. And that, you know, that at this
15 point your -- you still, however, contend that there
16 should be additional coverage available under the
17 separate 2000 IHS of Lester policy for IHS of Lester
18 claims?

19 A. I believe our contention is that there's --
20 I think everyone's acknowledged that there is a
21 separate IHS of Lester policy. Our contention is that
22 that policy is a stand-alone policy and should be
23 exhausted before there's any consideration for a
24 payment of any IHS of Lester claims under the IHS --
25 or I guess the IHS main column of insurance.